



2008 California Volunteer Manual

Form 540

TAX

Line 20 Tax

Determine your clients' tax by using the tax table in your clients' booklet or in this manual starting on page 161.

For additional information about tax, refer to the *General Information Section*.

Tax Rate Schedule

Taxpayers with taxable income, line 19, of \$100,000 or more must use the Tax Rate Schedule to compute the amount of tax due. The tax rate schedule is beyond the scope of the VITA/TCE volunteer program. Taxwise correctly figures taxable income in excess of \$100,000.

Line 21 Exemption credits

Enter the amount from line 11.

Line 22 Subtract

Subtract line 21 from line 20 and enter the result on line 22. If the amount on line 22 is less than zero, enter 0.

Line 23 Tax from Schedule G-1 and form FTB 5870A

This is beyond the scope of the VITA/TCE volunteer program.

Line 24 Add

Add line 22 and line 23 and enter the result on line 24. Continue to Side 2.

SPECIAL CREDITS AND NONREFUNDABLE RENTERS CREDIT

Line 25 through Line 27 Special Credits

A variety of additional credits are available to qualified clients to reduce their tax liability. To claim your clients' credits, figure the amount of the credit and enter the credit name, code number, and amount of the credit on line 28 through line 30. Consider the following question:

"Are your clients claiming any of the credits listed on the Credit Chart on pages 127 and 128?"

NO: Skip line 25 through line 27. Go to line 31.

YES: Figure the amount of your clients' credit or credits. Enter the total amount of credit and the credit code number on line 28 through line 30.

The next column begins a list of the most common credits. For a list of all the credit codes available, see pages 127 and 128.



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Line 25 through Line 27 Special Credits (CONT.)

Credit for Joint Custody Head of Household - Code 170

Do not claim this credit if your client filed head of household, married filing jointly/RDP, or qualifying widow(er).

Claim a credit for joint custody head of household if your client was unmarried at the end of 2008, or if the client lived apart from their spouse/RDP for all of 2008 and file married filing separately. They furnish more than one-half of the household expenses for their home, which also served as the home of their child, stepchild,

or grandchild for at least 146 days but not more than 219 days. If the child is married, your client must claim the dependent exemption for the child.

The custody arrangement for the child is part of a decree of dissolution, legal separation, or separate maintenance, or is a part of a written agreement between the parents in effect during the period between the petition and issuance of the final decree.

Use the worksheet below to compute the credit.

CREDIT FOR JOINT CUSTODY HEAD OF HOUSEHOLD WORKSHEET

- 1 Enter the amount from Form 540, line 24..... 1. _____
2. Credit percentage 2. x .30
3. Credit amount.
Multiply line 1 by line 2.
Enter the result or \$337, whichever is less 3. _____

Credit for Dependent Parent - Code 173

Do not claim this credit if your client claimed single, head of household, married filing jointly/RDP, or qualifying widow(er) filing status.

Your client claims this credit if all of the following conditions apply:

- * Married at the end of 2008 and use the married filing separately filing status.
- * Their spouse/RDP did not live in the client's household during the last six months of the year.

- * They furnished over one-half of the household expenses for their dependent mother's or father's home (whether or not the parent lived in your client's home).

To figure the amount of credit, use the Credit for Joint Custody Head of Household Worksheet on page 126.



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Credit for Senior Head of Household - Code 163

Claim this credit if all of the following conditions apply:

- * The client is 65 years of age or older on December 31, 2008.
- * The client qualifies for the head of household filing status in 2006 or 2007 by providing a household for a qualifying individual who died during 2006 or 2007.

- * California adjusted gross income is \$60,971 or less for 2008.

If your client's 65th birthday is January 1, 2009, consider them age 65 on December 31, 2008.

Use the worksheet below to compute the credit.

CREDIT FOR SENIOR HEAD OF HOUSEHOLD WORKSHEET

1. Enter the amount from Form 540, line 19.....1. _____
2. Multiply line 1 by 2% (.02).
Enter the result or \$1,146
whichever is less.....2. _____

Credit for Child Adoption Costs - Code 197

For the year of court filed adoption, your client claims a credit of 50 percent of the cost of adopting a child who is a citizen or legal resident of the United States, and a California public agency or a California political subdivision held custody of the child prior to the adoption.

Qualifying costs include:

- * Fees of the Department of Social Services or a licensed adoption agency.
- * Medical expenses not reimbursed by insurance.
- * Travel expenses for the adoptive family.

Use the following worksheet to compute the credit.

CREDIT FOR CHILD ADOPTION COSTS WORKSHEET

1. Enter the total qualifying costs1. _____
2. Multiply line 1 by 50% (.50)2. _____
Enter the result or \$2,500 whichever is less. The maximum credit is \$2,500 per minor child. Your clients may carry over the excess credit to future years until they use the credit.



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Below is a list of possible special credits. If your client potentially qualifies for any of these credits, call Franchise Tax Board's public assistance telephone number.

CODE NAME	CODE #	DESCRIPTION
Child Adoption	197	See page 125.
Child and Dependent Care Expenses – FTB 3506	None	See page 31.
Community Development Financial Institution Deposits – Certification required	209	20% of each qualified deposit made to a community development financial institution.
Dependent Parent	173	See page 124.
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to federal credit but limited to \$125 based on 50 percent of qualified expenditures that do not exceed \$250.
Donated Agricultural Products Transportation – FTB 3547	204	50% of the cost paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations.
Employer Child Care Contribution – FTB 3501	190	Employer: 30% of contributions to a qualified plan.
Employer Child Care Program – FTB 3501	189	Employer: Cost of establishing a childcare program or constructing a childcare facility.
Enhanced Oil Recovery – FTB 3546	203	One third of the similar federal and limited to qualified enhancement oil recovery projects located within California.
Enterprise Zone Employee – FTB 3553	169	5% of wages from work in an enterprise zone.
Enterprise Zone Hiring & Sales or Use Tax – FTB 3805Z	176	Business incentives for enterprise zone businesses.
Environmental Tax – FTB 3511	218	Five cents (\$.05) for each gallon of ultra sulfur diesel fuel produced during the taxable year by a small refiner at any facility located in this state.
Farmworker Housing – Certification required	207	50% of new construction or rehabilitation costs for farm worker housing.
Joint Custody Head of Household	170	See page 125.
Local Agency Military Base Recovery Area Hiring & Sales and Use Tax	198	Business incentives for LAMBRAs.
Low Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California.
Manufacturing Enhancement Area (MEA)	211	Percentage of qualified wages to

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Hiring – FTB 3808		disadvantaged individuals.
CODE NAME	CODE #	DESCRIPTION
Natural Heritage Preservation – FTB 3503	213	55 percent of the fair market value of any qualified contribution. This credit is available starting July 1, 2008.
Nonrefundable Renter's	None	See page 27, General Information Section.
Other State Tax	187	Net income tax paid to another state or a U.S. possession on income also taxed by California.
Prior Year Alternative Minimum Tax	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in 2008.
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates.
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California.
Rice Straw – Certification required	206	\$15 per ton of purchased rice straw grown in California.
Senior Head of Household	163	See page 126.
Targeted Tax Area (TTA) Hiring & Sales or Use Tax – FTB 3809	210	Business incentives for TTAs.

The following credits are no longer available. However, your clients may claim these credits if there are carryovers available from prior years.

CODE NAME	#	CODE NAME	#
Agricultural Products	175	Orphan Drug	185
Commercial Solar Electric System	196	Political Contributions	184
Commercial Solar Energy	181	Recycling Equipment	174
Employee Ridesharing	194	Residential Rental & Farm Sales	186
Employer Ridesharing	191	Ridesharing	171
Small Employer	192		
Transit Passes	193		
Energy Conservation	182	Salmon & Steelhead Trout Habitat Restoration	200
Joint Strike Fighter Wages	215	Solar Energy	180
Joint Strike Fighter Property Cost – FTB 3534	216	Solar Pump	179
Low-Emission Vehicles	160	Solar or Wind Energy System	217
Los Angeles Revitalization Zone Hiring & Sales and Use Tax – FTB 3521	159	Water Conservation	178
Manufacturers Investment	199	Young Infant	161



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Line 28

Nonrefundable Renter's Credit

To determine if your client qualifies for the nonrefundable renter's credit, refer to the *General information section*.

Line 29

Total credits

Add line 25 through line 28 and enter the total credit on line 29.

Line 30

Subtract

Subtract line 29 from line 24 and enter the result on line 30. If the amount on line 30 is zero or less, **enter 0**.

OTHER TAXES

TaxWise figures the amount of other taxes correctly, provided the birthdate and income statement are correct. The computation of other taxes is beyond the scope of the VITA/TCE volunteer program. If your clients are subject to these taxes, refer them to Franchise Tax Board.

PAYMENTS

Line 36

California income tax withheld

Enter your client's total California income tax withholding from box 17 on Forms W-2. If filing a joint return, be sure to include the amount withheld from the spouse's/RDP's wages.

For additional information about income tax withheld, refer to the *General Information Section*.

Line 37

2008 California estimated tax and other payments

For information about estimated tax and other payments, refer to the *General Information Section*.